

**Indiana State Board of Animal Health  
LSA # 18-280**

**Fiscal Analysis and Cost Benefit Analysis of  
Proposed Rules Required by Financial Management Circular #2010-4**

**I. Description of the Rule**

The BOAH is requesting approval to amend its rules governing cattle tuberculosis testing (345 IAC 2.5-3). The primary purpose of the changes is to align BOAH rules with the 2005 Bovine Tuberculosis Eradication Uniform Methods and Rules issued by the United States Department of Agriculture - Animal and Plant Health Inspection Service (USDA-APHIS). Specifically, BOAH is proposing to modify the definition of "test eligible cattle" for purposes of moving animals to remove sexually intact female cattle of dairy breeds and dairy cross breeds that are six (6) months of age or older from accredited free and modified accredited advanced states or zones. BOAH is also proposing to repeal the requirement for a person to test sexually intact female cattle of dairy breeds, including dairy cross breeds, that are six (6) months of age or older that originate from an accredited-free state or zone or a modified accredited advanced state or zone prior to movement into the state. The proposed rule also extends the validity of the accredited herd status for both cattle and goat herds from three hundred sixty five (365) days to seven hundred thirty (730) days from the date it is earned.

**II. Fiscal Impact Analysis**

a. Fiscal Impact on State and Local Governments

BOAH does not anticipate the proposed rule to present an increased fiscal impact on the state. BOAH has a long history of partnership in a cooperative effort with the USDA to eradicate bovine tuberculosis (TB) from cattle. BOAH's rules for bovine TB largely align with the federal program standards, which is necessary in order for the state to maintain a status that makes Indiana cattle owners eligible to move their cattle freely in interstate commerce. For example, BOAH's rule incorporates the 2005 Uniform Methods and Rules document and the associated federal regulations (9 CFR Part 77).

Because the rule is repealing certain testing standards that are more stringent than the federal standards, there are no additional administrative or enforcement costs to the state beyond those currently incurred to administer the state bovine TB program. Because the rule is repealing the testing requirement for movement of dairy cattle 6 months of age or older, the rule changes may actually decrease administrative and enforcement costs to the state because the change to the definition of "test eligible cattle" makes fewer cattle subject to testing requirements. In addition, because the TB accredited free herds will no longer have to be tested annually, the rule changes may decrease administrative costs related to the reaccreditation of these herds.

b. Anticipated Effective Date of the Rule

The first reading took place at the Board's quarterly meeting in July 2018. The public hearing for the proposed rule will be held at the Board's quarterly meeting in October 2018. If the Board votes in favor of final adoption at the October meeting, the rule would take effect in January 2019.

c. There are no anticipated changes, increases or decreases, in state or local revenue resulting from the implementation of the rule. BOAH does not assess a fee to verify compliance with entry testing requirements or to approve the reaccreditation of a cattle or goat herd.

d. BOAH will continue to utilize general funds to implement the rule.

e. The rule does not have an administrative impact on state or local government. BOAH is currently responsible for ensuring that cattle owners are observing cattle import requirements and that TB accredited herds are in compliance with the federal program standards. This rule does not change the administrative costs of this function.

f. The rule does not create an unfunded mandate on state or local government.

### **III. Cost Benefit Analysis**

#### **a. Statement of Need**

BOAH's rules for bovine tuberculosis largely align with the federal program standards, which is necessary in order for the state to maintain an accredited-free status. For example, BOAH's rule incorporates the 2005 Uniform Methods and Rules document and the associated federal regulations (9 CFR Part 77). A state's status has a significant economic impact on the state's dairy and beef cattle economy. A lowered status can mean costly movement restrictions and testing regimens. However, the USDA standards are considered minimum standards and do not preclude the adoption of more stringent standards by any State or zone.

In 2006, the BOAH made a determination to exercise the ability to develop more stringent standards for Indiana related to dairy animals. During this time, the state was experiencing significant growth in the dairy sector. There were several large dairies being built and they had not yet established a systematic source for their dairy cattle. Therefore, a determination was made that an additional testing requirement for these animals was necessary to minimize the risk of introduction of the disease related to a large number of cattle being imported from various sources across the United States.

There have been several developments since this time that have led to the agency's determination that Indiana's additional testing requirement for sexually intact female dairy cattle six (6) months of age or older should be repealed. For example, the agency has been contacted by several dairy groups that routinely are moving cattle within a production system that crosses state lines. The agency works closely with these entities in the development of commuter herd agreements, which are agreements between the dairies and the BOAH that ensure that they have proper animal identification and documentation in place in order to rapidly respond to a disease event. In the course of the discussions, the agency has become aware that Indiana's testing requirement for dairy cattle has presented difficulties in these dairies' ability to move animals within their production system. This difficulty is due to the quarantines that must be imposed between the time when a suspect case is identified by the private veterinarian administering the test and the time that a test can be performed by a state or federal official to clear the suspect animal so movements may commence. Therefore, the agency has made a determination that the risk of a positive diagnosis is outweighed by the interference that this testing requirement is imposing on the state's dairy industry.

#### **b. Evaluation of Benefits and Costs**

#### i. Benefits of the proposed rule

If the BOAH does not comply with the MOU, it would have negative consequences with regard to economic development. Most other states with which Indiana competes for agricultural economic opportunities no longer have this additional, state-specific testing requirement in place because recent cases of TB have not predominately been in dairy cattle. This is consistent with Indiana's recent experience, where the BOAH is engaged in an ongoing response related to the diagnosis of bovine TB in two beef cattle herds in Southeast Indiana.

BOAH has worked to involve regulated entities in the development of the rule. For example, BOAH maintains topic-specific interested party lists so stakeholders can receive updates by text or email that pertain to their areas of interest. BOAH also maintains a section of their website where regulated entities can easily find matters that the board will be discussing at their next meeting. BOAH personnel use these opportunities to keep stakeholders informed on proposed rule changes.

#### ii. Costs of the proposed rule

The proposed rule reduces compliance costs for regulated entities by repealing state requirements that are absent from the federal regulations. The first component of the proposed rule repeals the testing requirement for movement into the state of sexually intact dairy cattle six (6) months of age or older. This change to the definition of "test eligible cattle" makes fewer cattle subject to testing requirements. Although this repeal will certainly present a cost savings to dairy farm owners that are importing animals into the state, the annual cost savings per cattle owner is difficult to quantify. BOAH receives Certificates of Veterinary Inspection (CVI) for these animal movements that include age information. Although this information is present in the agency database in order to rapidly respond to a disease event, it is not possible to run a query to extract the total numbers of dairy animals that were imported that fall within this category. It is important to note that, based upon recent payments made to private practitioners for testing services, BOAH roughly estimates a per shipment cost savings of an \$80.00 service fee plus \$8.00 per head tested.

The proposed rule reduces compliance costs for regulated entities by eliminating a state requirement that is absent from the federal regulations. As described above, a second component of the proposed rule relates to accredited herd status. This is a voluntary program for cattle and goat owners who wish to engage in routine testing of their animals in order to move animals more freely in intrastate and interstate commerce with exemptions from the testing standards. BOAH currently has nine (9) TB accredited cattle herds enrolled in this program with an average herd size of seventy-eight (78) and two (2) goat herds. The proposed rule seeks to extend validity of accredited herd status from twelve (12) months to twenty-four (24) months. Indiana is currently more stringent than the federal government for herds to participate, so this change will align the state rule with the federal program standards. Based upon recent payments made to private practitioners for testing services, BOAH roughly estimates a herd testing costs of an \$80.00 service fee plus \$8.00 per head tested. Therefore, this change will provide an approximate cost savings of \$704.00, or \$352.00 per year, because a participant will only have to arrange for a whole herd test every other year.

**iii. The Board of Animal Health has determined that the direct and indirect benefits of the proposed rule outweigh the costs.**

c. Examination of Alternatives

Because the proposed rule does not impose requirements above the federal standards, BOAH did not examine alternative methods with regard to the requirements for cattle owners.